

Message Text

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21

ACTION NEA-16

INFO OCT-01 AF-10 ARA-16 EA-11 EUR-25 RSC-01 IO-14 ISO-00

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

EB-11 FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07

OMB-01 PM-07 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 FEA-02 PA-04 PRS-01 USIA-15 SAJ-01 SAB-01

NIC-01 DRC-01 /249 W

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R 181025Z AUG 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7793

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY KABUL

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS TEHRAN 6890

KUWAIT PASS DOHA

E.O. 11652: N/A

TAGS: ENRG, IR

SUBJ: IRAN, USSR SETTLE GAS PRICE ISSUE

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1. TEHRAN ENGLISH LANGUAGE PRESS ANNOUNCED AUGUST 18 THAT USSR HAS AGREED TO 85 PERCENT INCREASE IN PRICE OF GAS IT IMPORTS FROM IRAN, FROM ABOUT 30.7 CENTS PER THOUSAND CUBIC FEET (MCF) TO ABOUT 57 CENTS PER MCF. AGREEMENT IS RETROACTIVE TO JANUARY 1. ARTICLES IN KAYHAN INTERNATIONAL (KI) AND TEHRAN JOURNAL (TJ) NOTED GO/USSR TALKS IN JUNE HAD FAILED AND THAT NOTHING MORE HAD BEEN HEARD FROM SOVIETS UNTIL SOVIET DELEGATION ARRIVED IN TEHRAN UNANNOUNCED ON AUGUST 4 TO RENEW NEGOTIATIONS. TALKS, WHICH BEGAN AUGUST 6, WERE CHARACTERIZED BY "INFORMED SOURCES" AS HAVING BEEN CONDUCTED IN "ATMOSPHERE OF COMPLETE UNDERSTANDING."

2. SOURCES ADDED THAT PRICE ESCALATION FORMULA IN THE 1966 "GAS FOR STEEL MILL" AGREEMENT WILL REMAIN UNCHANGED: FOR CHANGES OF TEN TO 30 PERCENT IN THE PRICE OF LIGHT FUEL OIL AT BANDAR MAHSHAHR, ONE-THIRD OF THE PRICE OF GAS IS TO BE AUTOMATICALLY CHANGED BY THE SAME PERCENTAGE, WHILE LARGER OR SMALLER CHANGES MUST BE NEGOTIATED. KI NOTED THAT ALSO DISCUSSED IN THE TALKS WERE "WAYS TO EXPAND TEHRAN-MOSCOW TRADE TO PRESERVE BALANCE IN BILATERAL EXCHANGES."

3. TJ REPORTED "ONE IMMEDIATE EFFECT OF THE AGREEMENT WILL BE TO REJUVENATE THE POSTPONED TRIPARTITE TALKS BETWEEN IRAN, THE SOVIET UNION AND WEST GERMANY," ON THE PROPOSED GAS "SWITCH" DEAL. ACCORDING TO TJ, AN IRANIAN TEAM WILL GO TO BONN IN LATE AUGUST OR EARLY SEPTEMBER FOR THESE TALKS. TJ NOTED IRAN'S REVENUE IN 1974 FROM EXPORT OF SOME TEN BILLION CUBIC METERS OF NATURAL GAS TO USSR WILL BE \$20,356,980 AS OPPOSED TO \$10,962,970 AT THE OLD 30.7 CENT PRICE. AT IRAN'S "ORIGINAL DEMAND" PRICE OF 62 CENTS PER MCF, REVENUE WOULD HAVE BEEN \$22,142,680, WHILE IRAN "COULD HAVE ASKED FOR" \$1.24 PER MCF, OR \$44,285,360 PER YEAR.
HELMS

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